

CITY OF TALLULAH
Tallulah, Louisiana

Annual Financial Report
As of and for the Year Ended June 30, 2014

**CITY OF TALLULAH
Tallulah, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 2014**

**Honorable Paxton J. Branch
Mayor**

**Gerald Odom
City Clerk**

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PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Paxton J. Branch
and Members of the City Council
City of Tallulah
Tallulah, Louisiana

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

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accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
Section 8 Fund	Unmodified
LCDBG Projects Fund	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements as of and for the year ended June 30, 2014. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the government-wide financial statements has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Tallulah, as of June 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Tallulah, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 16 and budgetary comparison information on pages 55

through 59 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tallulah's basic financial statements. The combining and individual nonmajor fund financial statements, and the other supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basis financial statements.

The combining and individual nonmajor fund financial statements, and the other supplementary information as listed in the table of contents, and the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the other supplemental information as listed in the table of contents, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015, on our consideration of the City of Tallulah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Paillet, Mennier and LeBlanc, LLP

Metairie, LA
January 14, 2015

REQUIRED SUPPLEMENTARY INFORMATION:

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2014

Our discussion and analysis of the City of Tallulah's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. Amounts are presented in thousands unless otherwise noted.

This report presents the financial information of the City's activity of the primary government and does not include the discretely presented component unit Tallulah Housing Authority. The Housing Authority's report can be obtained by contacting the City Clerk of Tallulah at 204 North Cedar, Tallulah, La 71282.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations:

Total governmental activities revenues received for the year ended June 30, 2014 were \$3,377. This is an increase of \$346 or 11.4% increase from the year ended June 30, 2013. This was due mainly to an increase in sales tax plus state and federal grants.

Governmental activities expenses for the year ended June 30, 2014 were \$2,887. This is a decrease of \$3 or 0.1%. Expenses decreased from 2013 to 2014 mainly due to close adherence to budgets as well as reductions in overtime.

The General and Administrative, Police Department, Fire Department, Street, Health and Welfare, Culture and Recreation, Legislative, Transportation, and Interest expenses increased (decreased) \$(46), \$3, \$12, \$87, \$(60), \$17, \$(2), \$(10) and \$(4), respectively.

Total revenues received through business activities for the year ended June 30, 2014 were \$2,900; this is a increase of of \$202, or 7.5% between 2013 and 2014. Revenues increased mainly due to increases in charges for services.

Business activities expenses for 2014 were \$3,219 which is a increase of \$266 or 9.0% between 2013 and 2014. Expenses increased because of increased spending in repair and maintenance.

For the year ended June 30, 2014, the General Fund reported \$2,512 in revenues; this is an decrease of \$(29) or (1.1)% from the \$2,541 in revenues for the year ended June 30, 2013. This decrease was due to an annual fluctuations representing no particular cause or pattern along with less cash transfers in form other funds during the year.

Expenditures in the General Fund decreased \$(96) from the year ended June 30, 2013 to June 30, 2014. The City reported \$2,619 in expenditures for the General Fund in 2013 and \$2,523 in expenditures for 2014. This change represents a (3.7)% decrease from 2013 to 2014. This decrease in expenditures was due to a decrease in reimbursed capital outlays as well as a reduction in retirement merger benefit payouts.

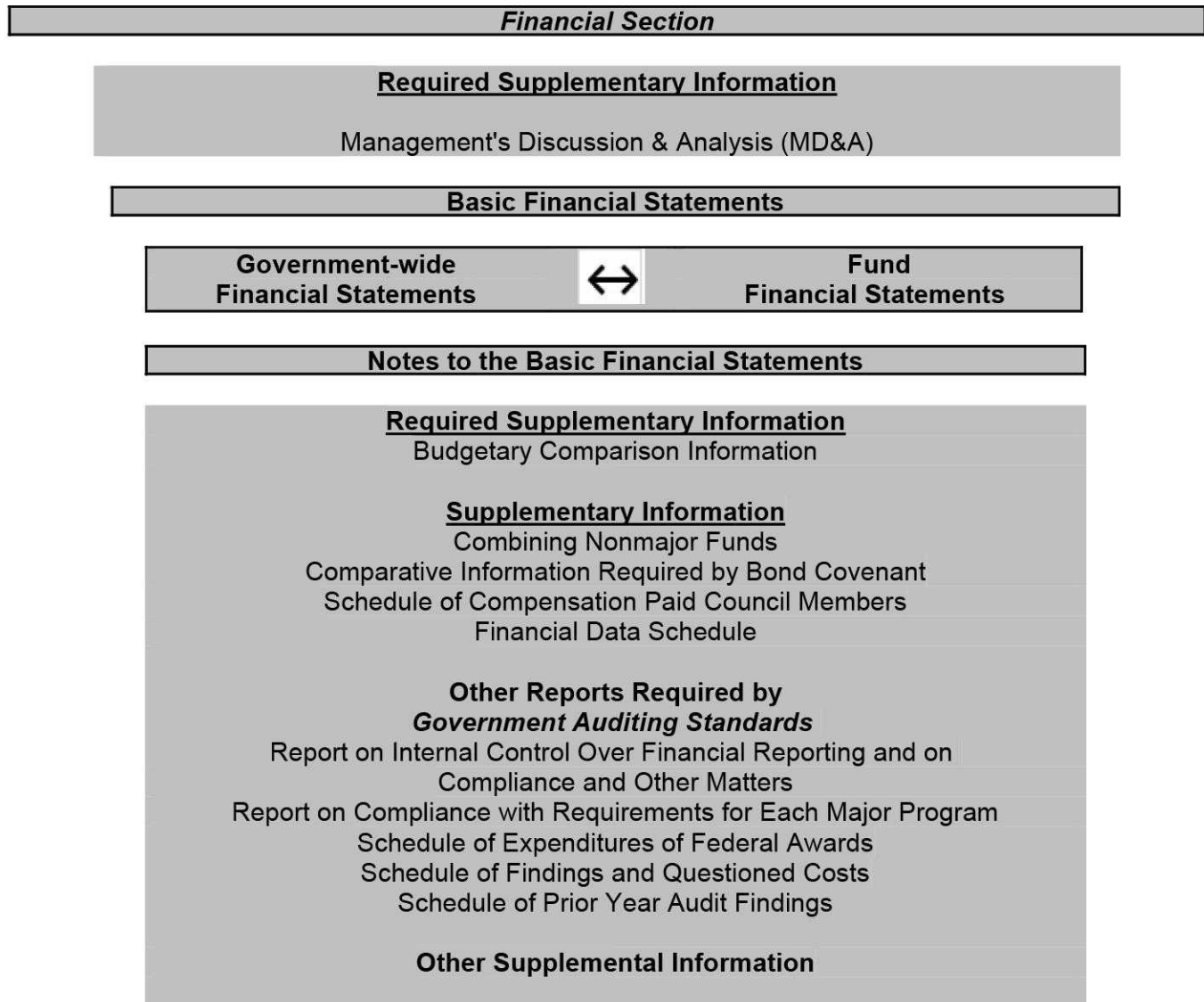
USING THIS ANNUAL REPORT

The City's annual report consists of a series of financial statements that show information for the City as a whole, and its funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For our

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2014

governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the City's overall financial health. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds - the General Fund, and the Section 8 Fund and LCDBG Projects.

The following chart reflects the information included in this annual report.



CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2014

Our auditor will provide assurance in the independent auditor's report, which will be located immediately preceding this Management's Discussion and Analysis in the audited financial report, that the Basic Financial Statements are fairly stated. Varying degrees of assurance will be provided by the auditor regarding the Required Supplementary Information, Supplementary Information, Other Reports Required by *Government Auditing Standards*, and Other Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins with the government-wide financial statements. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information about the City as a whole and its activities in a way that helps answer this question. We prepared these statements to include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* - the difference between assets, liabilities and deferred inflows/outflows of resources as reported in the Statement of Net Position - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position as reported in the Statement of Activities are one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses is the City's *operating results*. However, the City's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider other non-financial factors, such as the quality of police and fire protection, the conditions of the City's roads, and the quality of water, sewer and sanitation systems to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities - Most of the City's basic services are reported here, including the police, fire, street and general administration. Property taxes, franchise fees, licenses and fees, fines and forfeitures, and state and federal grants finance most of these activities.

Business-type Activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, and sanitation systems are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The City's fund financial statements provide detailed information about the most significant funds but not the City as a whole. Some funds are required to be established by State law. However, the City

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2014

establishes other funds to help it control and manage money for particular purposes (like the capital project fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - governmental and proprietary - use different accounting approaches:

Governmental funds - Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliations (Statements D and F).

Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's utility enterprise fund (a component of proprietary funds) are the same as business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
Net Position
(In Thousands)
June 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
ASSETS						
Current and other assets	\$ 1,007	\$ 775	\$ 414	\$ 388	\$ 1,421	\$ 1,163
Restricted assets	4	4	933	1,023	937	1,027
Capital assets	1,823	1,854	17,277	17,667	19,100	19,521
Total assets	<u>2,834</u>	<u>2,633</u>	<u>18,624</u>	<u>19,078</u>	<u>21,458</u>	<u>21,711</u>
LIABILITIES						
Current and other liabilities	497	347	500	607	997	954
Long-term liabilities	283	354	12,707	13,104	12,990	13,458
Total liabilities	<u>780</u>	<u>701</u>	<u>13,207</u>	<u>13,711</u>	<u>13,987</u>	<u>14,412</u>
NET POSITION						
Net investment in capital assets	1,562	1,538	4,579	4,574	6,141	6,112
Restricted	234	222	746	837	980	1,059
Unrestricted	258	173	92	(44)	350	130
Total net position	<u>\$ 2,054</u>	<u>\$ 1,932</u>	<u>\$ 5,417</u>	<u>\$ 5,367</u>	<u>\$ 7,471</u>	<u>\$ 7,301</u>

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2014

Net position of the City's governmental activities for June 30, 2014 was \$2,054. Unrestricted net position that is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$258.

The net position of our business-type activities for June 30, 2014 was \$5,417.

Table 2
Changes in Net Position
(In Thousands)
For the Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 59	\$ 84	\$ 2,850	\$ 2,698	\$ 2,909	\$ 2,782
Operating grants and contributions	328	425	50	-	378	425
Capital grants and contributions	552	125	-	-	552	125
General revenues						
Property taxes	495	502	-	-	495	502
Sales tax	1,321	1,249	-	-	1,321	1,249
Other taxes, penalties	342	309	-	-	342	309
License and permits	110	94	-	-	110	94
Grants and contributions not restricted to a program	103	122	-	-	103	122
Miscellaneous	67	121	-	-	67	121
Total Revenues	3,377	3,031	2,900	2,698	6,277	5,729
Functions / Program Expenses:						
Governmental Activities						
General and Administrative	756	802	-	-	756	802
Police Department	602	599	-	-	602	599
Fire Department	362	350	-	-	362	350
Street Department	701	614	-	-	701	614
Health and Welfare	166	226	-	-	166	226
Culture and Recreation	175	158	-	-	175	158
Legislative	63	65	-	-	63	65
Transportation	49	59	-	-	49	59
Interest Expense	13	17	-	-	13	17
Business-type Activities						
Water Enterprise	-	-	2,085	1,943	2,085	1,943
Utility Enterprise	-	-	1,134	1,010	1,134	1,010
Total Functions / Program Expenses	2,887	2,890	3,219	2,953	6,106	5,843
Increase (decrease) in net position before transfers	490	141	(319)	(255)	171	(114)
Transfers	(369)	169	369	(169)	-	-
Increase (decrease) in net position	121	310	50	(424)	171	(114)
Net position - beginning, as originally stated	1,933	1,651	5,367	6,304	7,300	7,955
Prior period adjustment	-	(28)	-	(513)	-	(541)
Net position - beginning, restated	1,933	1,623	5,367	5,791	7,300	7,414
Net position - ending	\$ 2,054	\$ 1,933	\$ 5,417	\$ 5,367	\$ 7,471	\$ 7,300

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2014

Governmental Activities

The cost of all governmental activities this year was \$2,887. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1,948 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Table 3 presents the cost of each of the City's governmental activities as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities
(In Thousands)
For the Years Ended June 30, 2014 and 2013

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Governmental Activities				
General and Administrative	\$ 756	\$ 802	\$ 756	\$ 683
Police Department	602	599	511	480
Fire Department	362	350	334	319
Street Department	701	614	665	607
Health and Welfare	166	226	(574)	(107)
Culture and Recreation	175	158	131	133
Legislative	63	65	63	65
Transportation	49	59	49	59
Interest Expense	13	17	13	17
	<u><u>\$ 2,887</u></u>	<u><u>\$ 2,890</u></u>	<u><u>\$ 1,948</u></u>	<u><u>\$ 2,256</u></u>

Business-type Activities

Revenue of the City's business-type activities (see Table 2) for June 30, 2014 was \$2,900. This is an increase of \$202 from 2013 to 2014. Expenses for the year ended June 30, 2014 were \$3,219 for the City's business-type activities which increased \$266 from 2013 to 2014.

Business-type activities had an increase in net position of \$50. This increase is due to increases in water and sewer revenues and the transfer of two generators constructed in the LCDBG capital project governmental fund.

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$514, which is an increase of \$81 in fund balance from last year. The General Fund had an increase in fund balance of \$69 due mainly to federal and state grants plus budgetary controls.

The Section 8 fund had a decrease in fund balance of \$.5 from 2013 due to an increase in administration costs and a reduction in federal administration funding.

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2014

The nonmajor governmental funds had an increase of \$14.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual amounts available for appropriations were \$110 more than budgeted. This favorable variance was primarily due to an increase in sales tax.

Overall actual charges to appropriations were \$40 more than budgeted. The General and Administrative, Street, Culture and Recreation, Transportation, Capital outlay and Interest exceeded their budget amounts \$19, \$16, \$13, \$1, \$24, and \$7, respectively. These unfavorable variances were due to necessary spending for which budget adjustments proved inadequate.

The original budgeted revenues were increased by \$ 259 in the final budget as well as the original budgeted expenditures were increased by \$ 45 in the final budget.

Budget revisions for fiscal year ending June 30, 2014 included increases for sales tax revenues of \$ 45 and an increases of \$45 for the Street Department.

CAPITAL ASSETS

At June 30, 2014 and 2013, the City had invested in the following capital assets (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 79	\$ 79	\$ 678	\$ 678	\$ 757	\$ 757
Construction in progress	383	291	-	-	383	291
Infrastructure	575	575	-	-	575	575
Buildings improvements	2,927	2,925	14	14	2,941	2,939
Furniture and equipment	1,577	1,784	1,413	902	2,990	2,686
Plant	-	-	9,900	9,900	9,900	9,900
Transmission lines	-	-	9,063	9,054	9,063	9,054
Water systems	-	-	8,396	8,396	8,396	8,396
Pumping stations	-	-	338	338	338	338
Total capital assets	<u>5,541</u>	<u>5,654</u>	<u>29,802</u>	<u>29,282</u>	<u>35,343</u>	<u>34,936</u>
Accumulated depreciation	<u>3,718</u>	<u>3,800</u>	<u>12,525</u>	<u>11,615</u>	<u>16,243</u>	<u>15,415</u>
Net capital assets	<u>\$ 1,823</u>	<u>\$ 1,854</u>	<u>\$ 17,277</u>	<u>\$ 17,667</u>	<u>\$ 19,100</u>	<u>\$ 19,521</u>

Additional information regarding capital assets can be found in the Basic Financial Statements notes.

DEBT ADMINISTRATION

At June 30, 2014, the City had bonds and certificates outstanding of \$261 in which Governmental Funds make the required payments. Enterprise Funds had outstanding bonds and loans of \$12,698 at June 30, 2014. Proceeds were used for the rehabilitation of the City's Water System and Sewer System. Additional information regarding long-term debt can be found in Note 11 of the Notes to the Basic Financial Statements.

CITY OF TALLULAH
Management's Discussion and Analysis (MD&A)
June 30, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the budget is our ad valorem and sales tax collections. Approximately, 66.9% of total revenues in the general fund are from ad valorem and sales tax collections. The general fund budget for the year ending June 30, 2015 as originally adopted decreased \$5 from the 2014 budget, which is the most realistic attempt at matching current expenditures with expected revenues.

ADDITIONAL INFORMATION

For additional information contact Gerald Odom, City Clerk, City of Tallulah, 204 North Cedar Street, Tallulah, LA 71282 or by telephone at (318) 574-0964.

BASIC FINANCIAL STATEMENTS:
**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

CITY OF TALLULAH
STATEMENT OF NET POSITION
JUNE 30, 2014

Statement A

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
ASSETS			
Cash and cash equivalents	\$ 486,245	\$ 20,531	\$ 506,776
Receivables (net)	520,769	393,498	914,267
Restricted assets			
Cash and cash equivalents	3,879	933,287	937,166
Capital assets			
Land and construction in progress	462,042	678,330	1,140,372
Depreciable assets, net of depreciation	<u>1,361,477</u>	<u>16,599,044</u>	<u>17,960,521</u>
TOTAL ASSETS	<u>2,834,412</u>	<u>18,624,690</u>	<u>21,459,102</u>
LIABILITIES			
Accounts, salaries and other payables	497,323	167,470	664,793
Interest payable	-	145,289	145,289
Payable from restricted assets - customer deposits	-	187,383	187,383
Long term liabilities			
Due within one year	56,388	421,761	478,149
Due in more than one year	<u>226,360</u>	<u>12,285,386</u>	<u>12,511,746</u>
TOTAL LIABILITIES	<u>780,071</u>	<u>13,207,289</u>	<u>13,987,360</u>
NET POSITION			
Net investment in capital assets	1,562,362	4,579,668	6,142,030
Restricted	234,206	745,904	980,110
Unrestricted	<u>257,773</u>	<u>91,829</u>	<u>349,602</u>
TOTAL NET POSITION	<u>2,054,341</u>	<u>5,417,401</u>	<u>7,471,742</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Statement B

	PROGRAM REVENUES				PRIMARY GOVERNMENT NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contribution s</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
FUNCTIONS / PROGRAMS							
<i>Governmental Activities:</i>							
General and Administrative	\$ 756,478	\$ -	\$ -	\$ -	\$ (756,478)	\$ -	\$ (756,478)
Police Department	601,892	47,914	42,420	-	(511,558)	-	(511,558)
Fire Department	361,555	-	27,667	-	(333,888)	-	(333,888)
Street Department	700,994	-	35,846	-	(665,148)	-	(665,148)
Health and Welfare	165,405	2,270	185,954	551,597	574,416	-	574,416
Culture and Recreation	175,353	8,890	35,747	-	(130,716)	-	(130,716)
Legislative	62,840	-	-	-	(62,840)	-	(62,840)
Transportation	48,704	-	-	-	(48,704)	-	(48,704)
Interest Expense	13,257	-	-	-	(13,257)	-	(13,257)
Total Governmental Activities	<u>2,886,478</u>	<u>59,074</u>	<u>327,634</u>	<u>551,597</u>	<u>(1,948,173)</u>	<u>-</u>	<u>(1,948,173)</u>
<i>Business-Type Activities:</i>							
Water Activities	2,085,151	1,901,948	19,950	-	-	(163,253)	(163,253)
Sewer Activities	1,133,533	947,616	29,876	-	-	(156,041)	(156,041)
Total Business-Type Activities	<u>3,218,684</u>	<u>2,849,564</u>	<u>49,826</u>	<u>-</u>	<u>-</u>	<u>(319,294)</u>	<u>(319,294)</u>
Total Primary Government	<u>\$ 6,105,162</u>	<u>\$ 2,908,638</u>	<u>\$ 377,460</u>	<u>\$ 551,597</u>	<u>\$ (1,948,173)</u>	<u>\$ (319,294)</u>	<u>\$ (2,267,467)</u>

Continued

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

				Statement B (Continued)		
				PRIMARY GOVERNMENT		
				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
PROGRAM REVENUES						
	Charges for	Operating Grants and	Capital Grants and	Governmental	Business- Type	
<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General revenues:						
Taxes:						
Property taxes				\$ 495,485	\$ -	\$ 495,485
Sales tax revenue				1,320,758	-	1,320,758
Other taxes, penalties				342,105	-	342,105
Licenses and permits				109,556	-	109,556
Grants and contributions not restricted to a specific program				103,373	-	103,373
Earnings on investments				466	402	868
Miscellaneous				67,423	-	67,423
Transfers				(369,192)	369,192	-
Total general revenues and transfers				<u>2,069,974</u>	<u>369,594</u>	<u>2,439,568</u>
Changes in net position				<u>121,801</u>	<u>50,300</u>	<u>172,101</u>
Net position - beginning				1,932,540	5,367,101	7,299,641
Net position - ending				<u>\$ 2,054,341</u>	<u>\$ 5,417,401</u>	<u>\$ 7,471,742</u>

See independent auditor's report and notes to the basic financial statements.

BASIC FINANCIAL STATEMENTS:

FUND FINANCIAL STATEMENTS (FFS)

CITY OF TALLULAH
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

Statement C

	<u>General</u>	<u>Section 8</u>	<u>LCDBG Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 263,601	\$ 90,466	\$ 39	\$ 132,139	\$ 486,245
Receivables	261,450	-	259,319	-	520,769
Interfund receivables	1,436	-	-	14,722	16,158
Restricted assets					
Cash	<u>3,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,879</u>
TOTAL ASSETS	<u><u>\$ 530,366</u></u>	<u><u>\$ 90,466</u></u>	<u><u>\$ 259,358</u></u>	<u><u>\$ 146,861</u></u>	<u><u>\$ 1,027,051</u></u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts, salaries and other payables	\$ 232,402	\$ 203	\$ 259,319	\$ 5,399	\$ 497,323
Interfund payables	<u>14,722</u>	<u>-</u>	<u>-</u>	<u>1,436</u>	<u>16,158</u>
TOTAL LIABILITIES	<u>247,124</u>	<u>203</u>	<u>259,319</u>	<u>6,835</u>	<u>513,481</u>
FUND BALANCES:					
Restricted	3,879	90,263	39	140,026	234,207
Unassigned	<u>279,363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,363</u>
TOTAL FUND BALANCES	<u>283,242</u>	<u>90,263</u>	<u>39</u>	<u>140,026</u>	<u>513,570</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 530,366</u></u>	<u><u>\$ 90,466</u></u>	<u><u>\$ 259,358</u></u>	<u><u>\$ 146,861</u></u>	<u><u>\$ 1,027,051</u></u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Statement D

Total fund balances - governmental funds	\$	513,570
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The cost of capital assets (land, buildings, furniture and equipment and infrastructure) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the City as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$	5,541,083	
Depreciation expense to date		<u>(3,717,564)</u>	1,823,519

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term - are reported in the Statement of Net Position.

Balances at June 30, 2014 are:			
Bonds Payable		(99,713)	
Certificates in Indebtness		(161,444)	
Compensated absences payable		<u>(21,591)</u>	<u>(282,748)</u>

Total net position - governmental activities	\$	<u><u>2,054,341</u></u>
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See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
GOVERNMENTAL FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

Statement E

	<u>General</u>	<u>Section 8</u>	<u>LCDBG Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
REVENUES					
Local sources:					
Taxes:					
Ad valorem	\$ 359,070	\$ -	\$ -	\$ 136,415	\$ 495,485
Sales	1,320,758	-	-	-	1,320,758
Other taxes, penalties and interest	342,105	-	-	-	342,105
Licenses and permits	109,556	-	-	-	109,556
Intergovernmental revenues	206,727	185,954	540,681	23,495	956,857
Rental income	8,890	-	-	-	8,890
Use of money and property	257	87	14	108	466
Fines and forfeitures	47,914	-	-	-	47,914
Miscellaneous revenues	<u>116,570</u>	<u>2,270</u>	<u>-</u>	<u>-</u>	<u>118,840</u>
Total revenues	<u>2,511,847</u>	<u>188,311</u>	<u>540,695</u>	<u>160,018</u>	<u>3,400,871</u>
EXPENDITURES					
Current:					
General and administrative	744,550	-	9,100	60	753,710
Police Department	572,314	-	-	-	572,314
Fire Department	309,693	-	-	-	309,693
Street Department	541,904	-	-	99,266	641,170
Health and welfare	-	188,805	-	-	188,805
Culture and recreation	165,639	-	-	-	165,639
Legislative	62,840	-	-	-	62,840
Transportation	48,704	-	-	-	48,704
Capital outlay	35,976	-	540,681	10,916	587,573
Debt service:					
Principal retirement	34,092	-	-	31,569	65,661
Interest and bank charges	<u>7,395</u>	<u>-</u>	<u>-</u>	<u>5,862</u>	<u>13,257</u>
Total expenditures	<u>2,523,107</u>	<u>188,805</u>	<u>549,781</u>	<u>147,673</u>	<u>3,409,366</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>\$ (11,260)</u>	<u>\$ (494)</u>	<u>\$ (9,086)</u>	<u>\$ 12,345</u>	<u>\$ (8,495)</u>

(Continued)

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
GOVERNMENTAL FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

Statement E

	<u>General</u>	<u>Section 8</u>	<u>LCDBG Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 80,442	\$ -	\$ 9,100	\$ 100	\$ 89,642
Transfers out	<u>(100)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>80,342</u>	<u>-</u>	<u>9,100</u>	<u>100</u>	<u>89,542</u>
NET CHANGE IN FUND BALANCE	<u>69,082</u>	<u>(494)</u>	<u>14</u>	<u>12,445</u>	<u>81,047</u>
FUND BALANCES - BEGINNING	<u>214,160</u>	<u>90,757</u>	<u>25</u>	<u>127,581</u>	<u>432,523</u>
FUND BALANCES - ENDING	<u>\$ 283,242</u>	<u>\$ 90,263</u>	<u>\$ 39</u>	<u>\$ 140,026</u>	<u>\$ 513,570</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

		Statement F
Total net change in fund balances - governmental funds	\$	81,047
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:		
Capital outlays	\$ 128,839	
Depreciation	<u>(159,035)</u>	(30,196)
The Statement of Activities reflects the effect of the disposition of capital assets during the year. The cost less the depreciation (net value) of the items disposed of during the year are not reflected in the fund balance.		(379)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position		65,661
In the Statement of Activities, certain operating expenses - compensated absences (vacation leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation taken (\$30,166) exceeded the amounts earned (\$24,498) by \$5,668		<u>5,668</u>
Total net change in net position - governmental activities	\$	<u>121,801</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

Statement G

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	3,847	16,684	20,531
Receivables, net	238,198	155,300	393,498
Restricted Assets:			
Cash and cash equivalents	<u>886,910</u>	<u>46,377</u>	<u>933,287</u>
Total Current Assets	<u>1,128,955</u>	<u>218,361</u>	<u>1,347,316</u>
Noncurrent Assets			
Capital Assets			
Land and construction in progress	65,451	612,879	678,330
Depreciable assets, net of depreciation	<u>5,511,663</u>	<u>11,087,381</u>	<u>16,599,044</u>
Total Noncurrent Assets	<u>5,577,114</u>	<u>11,700,260</u>	<u>17,277,374</u>
TOTAL ASSETS	<u><u>6,706,069</u></u>	<u><u>11,918,621</u></u>	<u><u>18,624,690</u></u>
LIABILITIES			
Current Liabilities			
Accounts, salaries and other payables	64,848	102,622	167,470
Interest payable	145,289	-	145,289
Payable from restricted assets - customer deposits	187,383	-	187,383
Compensated absences	5,399	4,042	9,441
Revenue bonds payable - current	370,000	-	370,000
Loans payable - current	<u>-</u>	<u>42,320</u>	<u>42,320</u>
Total Current Liabilities	<u>\$ 772,919</u>	<u>\$ 148,984</u>	<u>\$ 921,903</u>

(Continued)

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

Statement G

	Water Fund	Sewer Fund	Total
Noncurrent Liabilities			
Revenue bonds payable	\$ 9,410,000	\$ -	\$ 9,410,000
Loans payable	<u>-</u>	<u>2,875,386</u>	<u>2,875,386</u>
Total Noncurrent Liabilities	<u>9,410,000</u>	<u>2,875,386</u>	<u>12,285,386</u>
TOTAL LIABILITIES	<u>10,182,919</u>	<u>3,024,370</u>	<u>13,207,289</u>
NET POSITION			
Net investment in capital assets	(4,202,886)	8,782,554	4,579,668
Restricted for debt service	699,527	46,377	745,904
Unrestricted	<u>26,509</u>	<u>65,320</u>	<u>91,829</u>
TOTAL NET POSITION	<u>\$ (3,476,850)</u>	<u>\$ 8,894,251</u>	<u>\$ 5,417,401</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Water Fund	Sewer Fund	Statement H Total
OPERATING REVENUES			
Charges for services	\$ 1,879,638	\$ 939,236	\$ 2,818,874
Other operating revenue	22,310	8,380	30,690
Total operating revenue	<u>1,901,948</u>	<u>947,616</u>	<u>2,849,564</u>
OPERATING EXPENSES			
Personal services	293,248	182,627	475,875
Supplies	180,634	45,576	226,210
Maintenance	208,073	309,623	517,696
Utilities	111,984	75,099	187,083
Miscellaneous	139,233	75,877	215,110
Uniforms	3,147	2,837	5,984
Insurance	11,883	7,500	19,383
Professional services	37,588	53,676	91,264
Depreciation	658,340	252,096	910,436
Total operating expenses	<u>1,644,130</u>	<u>1,004,911</u>	<u>2,649,041</u>
OPERATING INCOME (LOSS)	<u>257,818</u>	<u>(57,295)</u>	<u>200,523</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	19,950	29,876	49,826
Interest income	385	17	402
Interest expense and other charges	<u>(441,021)</u>	<u>(128,622)</u>	<u>(569,643)</u>
Total nonoperating revenues (expenses)	<u>(420,686)</u>	<u>(98,729)</u>	<u>(519,415)</u>
NET INCOME (LOSS)	<u>(162,868)</u>	<u>(156,024)</u>	<u>(318,892)</u>
OTHER FINANCING SOURCES (USES)			
Capital Contributions	229,367	229,367	458,734
Transfers in		59,934	59,934
Transfers out	<u>(142,526)</u>	<u>(6,950)</u>	<u>(149,476)</u>
Total Other Financing Sources (Uses)	<u>86,841</u>	<u>282,351</u>	<u>369,192</u>
NET CHANGE IN NET POSITION	<u>(76,027)</u>	<u>126,327</u>	<u>50,300</u>
NET POSITION - BEGINNING	<u>(3,400,823)</u>	<u>8,767,924</u>	<u>5,367,101</u>
NET POSITION - ENDING	<u>\$ (3,476,850)</u>	<u>\$ 8,894,251</u>	<u>\$ 5,417,401</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Water Fund	Sewer Fund	Statement I Total
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,897,619	\$ 908,782	\$ 2,806,401
Payments to employees	(292,805)	(182,648)	(475,453)
Payments to others	(656,603)	(542,062)	(1,198,665)
Other receipts	22,310	8,380	30,690
Net cash provided (used) for operating activities	<u>970,521</u>	<u>192,452</u>	<u>1,162,973</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Earnings on investments	385	17	402
Net cash provided (used) for investing activities	<u>385</u>	<u>17</u>	<u>402</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Grants	19,950	29,876	49,826
Transfers in	-	59,934	59,934
Transfers out	(142,526)	(6,950)	(149,476)
Net cash provided (used) for noncapital financing activities	<u>(122,576)</u>	<u>82,860</u>	<u>(39,716)</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(40,826)	(26,844)	(67,670)
Principal payment bonds	(355,000)	(40,506)	(395,506)
Interest and penalties paid on debt	(445,131)	(128,622)	(573,753)
Net cash provided (used) or capital and related financing activities	<u>(840,957)</u>	<u>(195,972)</u>	<u>(1,036,929)</u>
Net increase (decrease) in cash and cash equivalents	7,373	79,357	86,730
CASH AND CASH EQUIVALENTS - BEGINNING	<u>883,384</u>	<u>(16,296)</u>	<u>867,088</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 890,757</u>	<u>\$ 63,061</u>	<u>\$ 953,818</u>
Reconciliation to balance sheet			
Cash	\$ 3,847	\$ 16,684	\$ 20,531
Restricted assets - cash	<u>886,910</u>	<u>46,377</u>	<u>933,287</u>
Total Cash and Cash Equivalents - Ending	<u>\$ 890,757</u>	<u>\$ 63,061</u>	<u>\$ 953,818</u>

(Continued)

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

Statement I

	Water Fund	Sewer Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income (loss)	\$ 257,818	\$ (57,295)	\$ 200,523
Adjustments to reconcile operating income to net cash provided (used) for operating activities			
Depreciation	658,340	252,096	910,436
Loss on disposal of capital assets	5,834	-	5,834
(Increase) decrease in accounts receivable	17,981	(30,454)	(12,473)
(Increase) decrease in interfund receivable	-	1,813	1,813
(Increase) decrease in prepaid expenses	5,919	-	5,919
Increase (decrease) in accounts payable	26,691	26,731	53,422
Increase (decrease) in compensated absences	(1,000)	(439)	(1,439)
Increase (decrease) in interfund payables	(1,813)	-	(1,813)
Increase (decrease) in deposits due others	751	-	751
Net cash provided (used) by operating activities	<u>\$ 970,521</u>	<u>\$ 192,452</u>	<u>\$ 1,162,973</u>

See independent auditor's report and notes to the basic financial statements.

City of Tallulah
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For Year Ended June 30, 2014

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CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Tallulah have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The City of Tallulah was founded in 1856 and is incorporated under the provisions of the "Lawrason Act" (Louisiana Revised Statutes (R.S.) 33:321-481 of the constitution of the state of Louisiana. The City is located in the parish of Madison and has a population of 7,333. The City is governed by the Mayor and five member Council. The Mayor and Council members serve four-year terms which expire on June 30, 2015.

As the governing authority of the City, for reporting purposes, the City of Tallulah is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Tallulah for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

Because the City appoints the governing body of the Tallulah Housing Authority and can impose its will on the Housing Authority, the Housing Authority was determined to be a component unit of the City of Tallulah, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the City and do not present information on the housing authority or the

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

general government services provided by that governmental unit; however, the information of the component unit is necessary in order for the City to report in conformity with GAAP. A copy of the audit report for the Housing Authority may be obtained from the City Clerk of Tallulah at 204 North Cedar, Tallulah, Louisiana, 71282.

B. FUND ACCOUNTING

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

Funds are classified into two categories; governmental and proprietary. Each category, in turn, is divided into separate "fund types." Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees.

The City's current operations require the use of governmental and proprietary fund types described as follows:

Governmental Funds

The City reports the following major governmental funds:

General fund - is the general operating fund of the City. It accounts for all financial resources, except those required to be accounted for in other funds.

Section 8 fund - accounts for the operations of the lower income housing assistance program which provides aid to very low-income families in obtaining decent, safe, and sanitary rental housing. Financing is provided by a federal grant.

LCDBG Projects fund - is used to account for the accumulation of resources for and related costs regarding the LCDBG Grant for sewer improvement project and the generator project.

Proprietary Fund

Enterprise Funds - account for the operations of the City's water and sewer systems. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level. The City of Tallulah does not currently have any fiduciary funds.

The Statement of Net Position and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows/outflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows/outflows resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Allocation of indirect expenses

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current position. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar-year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1994 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are normally collected in December, January, and February of the current year.

Franchise taxes and intergovernmental revenues are recorded when the City is entitled to the funds.

Interest income on time deposits is recorded when the interest has been earned and the amount is determinable.

Substantially all other revenues are recorded when they are received by the City.

Based on the above criteria, ad valorem taxes, franchise taxes and intergovernmental revenues have been treated as susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Other Financing Source (Use)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources and are recognized when the underlying event occurs.

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating revenues and expenses

Proprietary fund distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. BUDGET PRACTICES

A preliminary budget for the ensuing year is prepared by the clerk in May. The proposed budget is reviewed by the mayor and the City Council and made available to the public. During the June meeting of the City Council, the City holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the City Council as a whole. The budget is then adopted during the June meeting, and notice is published in the official journal.

During the year, the City Council receives monthly budget comparison statements which are used as a tool to control the operations of the City. The City Clerk presents necessary budget amendments to the Board when he determines that actual operations are differing materially from those anticipated in the original budget. The Board in regular session reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The adoption of amendments is included in the City's minutes published in the official journal. The budget is established and controlled by the mayor and Council members at the functional level of expenditure. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the mayor and the Council members. The City does not use encumbrance accounting in its accounting system.

E. CASH AND CASH EQUIVALENTS

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States of America. The City may invest in certificates and time deposits of state banks organized under Louisiana laws and national banks having principal offices in Louisiana.

For purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of three months or less when purchased.

F. INVESTMENTS

Under state law, the City may invest funds in obligations of the United States of America, in federally insured investments, or in time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana. Investments in marketable securities (United States Treasury Notes) are reported at market value.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

H. CAPITAL ASSETS

Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The City's practice is to capitalize all fixed assets with a cost of \$1,000 or more. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used for governmental fund-type based on the following estimated useful lives:

Land	N/A
Infrastructure	20-40 years
Building and improvements	15-20 years
Furniture and equipment	5-10 years

The capital assets used in the proprietary fund-type operations are included on the statement of net position of the fund. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations are charged as an expense against operations. Depreciation is computed using the straight-line method over estimated lives of 20-60 years for the plant, distribution system, and collection system, 3 to 10 years for furniture and equipment.

The City implemented GASB 51, *Accounting and Financial Reporting for Intangibles Assets*; however, the City's implementation was prospectively. Any intangibles purchased by the City are reported within the furniture and equipment classification.

I. LONG-TERM DEBT

Long-term obligations, such as bonded debt and bank loans are recognized as liabilities of a governmental fund only when due.

J. COMPENSATED ABSENCES

Permanent, full-time employees receive from five to ten days of vacation leave each year depending on length of service. Employees may accumulate vacation leave. Sick leave is earned at the rate of ten days per year; however, no employee may accumulate more than ten days of sick leave. Employees who resign or retire are compensated for annual leave accumulated to the date of separation, not to exceed ten days, provided in the case of resignation the employee has completed at least twelve months of continuous service and has given two weeks notice of resignation.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the governmental funds when leave is actually taken or when employees are paid for accrued leave upon resignation or retirement.

The City recognition and measurement criterion for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

The employees' right to receive compensation is attributable to services already rendered. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have an item that qualifies for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City does not have an item that qualifies for reporting in this category.

L. RESTRICTED ASSETS

Certain grants received by the City contained restrictions on spending for specific purposes. In the Sewer Enterprise Fund, specially-assessed sewer fees are restricted for future repair and maintenance of the sewer system. In the Water Enterprise Fund, the customer deposits as well as accounts related to debt covenants are restricted.

M. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. The City currently has a \$10,000 deductible for its fire and casualty loss insurance coverage and no deductible for the other policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

reductions in insurance coverage during the year ended June 30, 2014 for the primary government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. RESTRICTED NET POSITION

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net asset use are either:

- Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;
- Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Restricted net position reported in the statement of activities are restricted by law through constitutional provisions or by enabling legislation.

O. FUND EQUITY OF FUND FINANCIAL STATEMENTS:

GASB 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

Non-spendable: Fund balance that is not in spendable form or legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as inventories and prepaid items.

Restricted: Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed: Fund balance that can only be used for specific purposes determined by the City's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit the funds. Committed fund balance is the result of either a policy of the City or motions were passed at a Council meeting committing the funds. The motions passed are usually the result of budget revisions.

Assigned: Fund balance that is constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Council.

Unassigned: Fund balance that is the residual classification for the general fund.

The City reduces committed amounts, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The City considers restricted amounts to have been spent when an expenditure has incurred for purposes for which both restricted and unrestricted fund balance is available.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transfers are reported as transfers.

Q. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. ELIMINATION AND RECLASSIFICATIONS

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

S. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through January 14, 2015, the date on which the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations in Individual Funds

The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 2014:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	2,482,725	2,523,207	(40,482)
Section 8	220,000	188,805	31,195

B. Deficit Fund Balances

The following fund had a deficit fund balance at June 30, 2014:

<u>Fund</u>	<u>Deficit Amount</u>
Water Fund	3,476,850

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS

At June 30, 2014, the City had a cash and cash equivalents book balance of \$1,443,942.

Deposits are stated at cost, which approximates fair market value. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At year end, the City's carrying amount of deposits was \$1,443,942 (Statement A – Cash and cash equivalents of \$506,776 unrestricted, \$937,166 restricted) and the bank balance was \$1,582,625. The entire bank balance of \$1,582,625 was covered by federal depository insurance or by collateral held by the City's agent in the City's name (GASB Category 1). The City's policy does not address custodial credit risk.

Interest Rate Risk: The City's policy does not address interest rate risk.

NOTE 4 - LEVIED TAXES

The City levies property taxes on real and business property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Madison Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The Madison Parish Tax Assessor prepares tax statements for the City. Ad valorem taxes were levied on October 24, 2013 with a due date and collection date of December 31, 2013 and a lien date of January 1, 2014.

The following is a summary of authorized and levied property taxes:

	<u>Maximum Millage</u>	<u>Levied Millage</u>
General Fund Operations	8.10	8.10
Police, Fire, Streets & Bridges	7.53	7.53
General Purposes	9.22	9.22
Streets, Roads, Drainage	8.69	8.69
1981 Sewer Bond	N/A	1.00

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 5 - RECEIVABLES

The following is a summary of receivables at June 30, 2014:

Class of Receivables	General	Section 8	LCDBG Projects	Nonmajor Governmental	Water Fund	Sewer Fund	Total
Taxes:							
Sales & use	\$ 104,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,985
Other taxes	320	-	-	-	-	-	320
State revenue	22,684	-	-	-	-	-	22,684
Federal revenue	-	-	259,319	-	-	-	259,319
Sewer user fees	-	-	-	-	-	158,203	158,203
Water user fees	-	-	-	-	242,621	-	242,621
Due from other governments	59,769	-	-	-	-	-	59,769
Other	73,692	-	-	-	25	-	73,717
Gross receivables	261,450	-	259,319	-	242,646	158,203	921,618
Less allow. doubtful accts.	-	-	-	-	4,448	2,903	7,351
Net total receivables	<u>\$ 261,450</u>	<u>\$ -</u>	<u>\$ 259,319</u>	<u>\$ -</u>	<u>\$ 238,198</u>	<u>\$ 155,300</u>	<u>\$ 914,267</u>

NOTE 6 - INTERFUND TRANSACTIONS/BALANCES

Individual balances due from/to other funds at June 30, 2014, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 1,436
Nonmajor Governmental	General Fund	14,722
Total		<u>\$ 16,158</u>

Interfund balances result from fund reimbursements not made before year-end.

Transfers during the year were as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 80,442
LCDBG Projects	Sewer Fund	6,950
LCDBG Projects	Water Fund	2,150
Nonmajor Governmental	General Fund	100
Sewer Fund	Water Fund	59,934
Total		<u>\$ 149,576</u>

The City transfers money from the Water Fund and the Sewer Fund to cover shortfalls. The Water Fund and the Sewer Fund transferred funds to the LCDBG Project Fund to cover project administration costs not covered by grant funding.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 7 - CAPITAL ASSETS

A summary of the changes in governmental activities capital assets for the year ended June 30, 2014:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Governmental activities:				
Capital assets, not depreciated				
Land	\$ 78,500	\$ -	\$ -	\$ 78,500
Construction in progress	290,679	551,597	458,734	383,542
Depreciable assets:				
Infrastructure	575,255	-	-	575,255
Buildings and improvements	2,925,225	1,560	-	2,926,785
Furniture and equipment	1,784,441	34,416	241,856	1,577,001
Total	5,654,100	587,573	700,590	5,541,083
Less: accumulated depreciation	3,800,006	159,035	241,477	3,717,564
Total capital assets, net	<u>\$ 1,854,094</u>	<u>\$ 428,538</u>	<u>\$ 459,113</u>	<u>\$ 1,823,519</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 6,361
Police department	30,217
Fire department	50,891
Street department	62,024
Culture and recreation	9,542
Total	<u>\$ 159,035</u>

A summary of plant and equipment used in the business-type activities follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Business-type activities:				
Capital assets not depreciated				
Land	\$ 678,330	\$ -	\$ -	\$ 678,330
Capital assets, not depreciated	678,330	-	-	678,330
Depreciable assets				
Building & improvements	14,241	-	-	14,241
Equipment	902,433	517,840	7,000	1,413,273
Plant	9,900,494	-	-	9,900,494
Transmission lines	9,054,047	8,564	-	9,062,611
Water systems	8,395,551	-	-	8,395,551
Pumping stations	337,944	-	-	337,944
Capital assets, depreciable	28,604,710	526,404	7,000	29,124,114
Less: accumulated depreciation	11,615,800	910,436	1,166	12,525,070
Depreciable capital assets, net	16,988,910	(384,032)	5,834	16,599,044
Total capital assets, net	<u>\$ 17,667,240</u>	<u>\$ (384,032)</u>	<u>\$ 5,834</u>	<u>\$ 17,277,374</u>

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 7 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to business-type activities as follows:

Water	\$ 658,340
Sewer	<u>252,096</u>
Total	<u><u>\$ 910,436</u></u>

NOTE 8 - PENSION PLANS

Substantially all employees of the City of Tallulah are members of either the Firefighters' Retirement System of Louisiana, the Municipal Police Retirement System of Louisiana, Nationwide Retirement Solutions' 457 Government Plan and Trust or the Social Security System. The state retirement systems are each multiple-employer, public employee retirement systems (PERS), controlled and administered by separate boards of trustees.

FIREFIGHTERS' RETIREMENT SYSTEM OF LOUISIANA

The Firefighters' Retirement System is a cost sharing, multiple employer defined benefit pension plan. Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years of service at any age are entitled to annual pension benefits equal to 3 1/3% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The contribution requirements of plan members and the City of Tallulah are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. For the year ended June 30, 2014, plan members are required to contribute 10% for wages above poverty guidelines, as issued by the U.S. Department of Health and Human Services and 8% of wages equal to or below poverty guidelines and the City of Tallulah's required employer contributions were 28.25% of annual covered payroll above poverty guidelines and 30.25% of covered payroll equal to or below poverty guidelines. The City of Tallulah's contributions to the System for the years ending June 30, 2014, 2013, and 2012, were \$0, \$2,565, and \$0, respectively, equal to the required contributions for each year. There were no firefighters that participated in the retirement system for fiscal year ended June 30, 2014.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System that may be obtained at www.lafirefightersret.com, or by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 8 - PENSION PLANS (CONTINUED)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

The Municipal Police Employees' Retirement System is a cost-sharing, multiple employer defined benefit pension plan. Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing he does not have to pay social security and providing he meets the statutory criteria. A member is eligible for early retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 creditable years of service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are 3 1/3% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. The System also provides death and disability benefits. Benefits are established or amended by state statute. Commencing January 1, 2013 a member's eligibility for regular retirement, early retirement, disability and survivor benefits are based on hazardous duty and nonhazardous sub duty plans.

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. For the year ended June 30, 2014, all nonhazardous duty plan members and hazardous duty members hired prior January 1, 2013 are required to contribute 10.0% for wages above poverty guidelines as issued by the U.S. Department of Health and Human Services and 7.5% of wages below poverty guidelines and the City of Tallulah required employer contributions were 31.0% of annual covered payroll above poverty guidelines and 33.5% of covered payroll equal to or below poverty guidelines. Hazardous duty members hired after January 1, 2013, are required to contribute 8.0% of wages and the City of Tallulah required employer contributions were 33.0% of annual covered payroll. The City of Tallulah's contributions to the System for the years ended June 30, 2014, 2013, and 2012, were \$63,533, \$74,730, and \$82,749, respectively, equal to the required contributions for each year.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained at www.lampers.org or by writing to the Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

NATIONWIDE RETIREMENT SOLUTIONS'S 457 GOVERNMENTAL PLAN & TRUST

The City provides pension benefits through Nationwide Retirement Solutions for its full-time employees through a defined contribution plan. All employees are eligible to participate in the plan on the after completing their six months probation period of their employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For employees in managerial administrative positions, the City's contribution for each employee can range up to the I.R.C 457(b) limit. For 2013 and 2014, the I.R.C 457(b) limit was

CITY OF TALLULAH

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 8 - PENSION PLANS (CONTINUED)

\$17,500 plus an additional catch up \$5,500 for participants aged 50 and over. For all other employees, the City matches 100% of the employee's voluntary contribution up to the I.R.C 457(b) limit. There is no vesting period for the City's contribution for each employee. For the year ended June 30, 2014, the City made employer contributions of \$67,930 and employee contributions of \$36,270.

NOTE 9 - ACCOUNTS, SALARIES AND OTHER PAYABLE

The accounts, salaries and other payables at fiscal year ended June 30, 2014 are as follows:

Class of Payables	General	Section 8	LCDBG Projects	Nonmajor Governmental	Water Fund	Sewer Fund	Total
Accounts Payable	\$ 202,248	\$ 203	\$ 259,319	\$ 5,399	\$ 55,152	\$ 100,002	\$ 622,323
Wages Payable	30,154	-	-	-	9,696	2,620	42,470
Net total payable	<u>\$ 232,402</u>	<u>\$ 203</u>	<u>\$ 259,319</u>	<u>\$ 5,399</u>	<u>\$ 64,848</u>	<u>\$ 102,622</u>	<u>\$ 664,793</u>

NOTE 10 - ON-BEHALF SUPPLEMENTAL PAY

Certain employees meeting statutory qualifications in the fire and police departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$70,087 is recognized as intergovernmental revenue and public safety expenditures. Of the \$70,087 recognized, the State paid \$42,420 to City police officers and \$27,667 to City firemen.

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS

Governmental activities long-term liabilities are direct obligations and pledge the full faith and credit of the City. The City has incurred these liabilities to provide funds for the acquisition and construction of major capital additions. The General Obligation bonds are paid with the appropriate debt service funds from funds provided by an ad valorem tax. The Certificates of Indebtness were issued for the purpose of the acquisition of major capital asset additions for the fire department and are paid from excess revenues of the general fund. Capital leases are paid from the Street fund. Also, the City has incurred other debt as a result of the City merging the police retirement fund along with compensated absences, which is paid from the general fund.

The City has issued revenue bonds and loans payable in which the City pledged income derived from the acquired or constructed assets to pay debt service. This long-term debt is reported in the business-type activities, in which payments are made by the Water and Sewer funds. See Note 14 for additional information on pledged revenues.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)

During the year ended June 30, 2014, the following changes occurred in governmental activities long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General obligations bonds	\$ 109,646	\$ -	\$ 9,933	\$ 99,713	\$ 10,430
Certificate of indebtedness	184,874	-	23,430	161,444	24,367
Capital lease payable	21,636	-	21,636	-	-
Compensated absences	27,259	24,498	30,166	21,591	21,591
Other debt	10,662	-	10,662	-	-
Total	<u>\$ 354,077</u>	<u>\$ 24,498</u>	<u>\$ 95,827</u>	<u>\$ 282,748</u>	<u>\$ 56,388</u>

During the year ended June 30, 2014, the following changes occurred in business-type activities long-term liabilities:

	Beginning Balance *	Additions	Deletions	Ending Balance	Due Within One Year
Revenue bonds	\$ 10,135,000	\$ -	\$ 355,000	\$ 9,780,000	\$ 370,000
Loans payable	2,958,212	-	40,506	2,917,706	42,320
Compensated absences	10,880	13,284	14,723	9,441	9,441
Total	<u>\$ 13,104,092</u>	<u>\$ 13,284</u>	<u>\$ 410,229</u>	<u>\$ 12,707,147</u>	<u>\$ 421,761</u>

The following is a summary of long-term obligation transactions for the year ended June 30, 2014:

	Issue Dates	Maturity Dates	Interest Rates	Original Amount	Governmental Activities	Business-type Activities
Governmental activities						
General Obligations Bonds:						
Series 1981	10/08/1981	10/01/2021	5.000%	\$ 260,000	\$ 99,713	\$ -
Certificate of Indebtness:						
Series 2009 - USDA Fire Truck	03/31/2010	03/31/2020	4.000%	250,000	161,444	-
Business-type activities:						
Enterprise Funds						
Water Improvement Bonds,						
Refunding Series 2007	09/01/2007	09/01/2032	4.3 - 5.0%	5,630,000	-	4,745,000
Water Revenue Refunding						
Bonds Series 2012	06/22/2012	09/01/2031	2.6 - 5.0%	5,275,000	-	5,035,000
Loans payable (USDA):						
Sewer Rehab Phase I	09/06/2006	07/06/2046	4.375%	2,660,000	-	2,456,038
Sewer Rehab Phase II	09/06/2006	09/06/2046	4.375%	500,000	-	461,668
Totals					261,157	12,697,706
Current Portion of Debt					(34,797)	(412,320)
Total Long-Term Portion of Debt					<u>\$ 226,360</u>	<u>\$ 12,285,386</u>

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)

General obligation bonds totaling \$99,713 at June 30, 2014, are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the City is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property in the City. Assessed value for the 2013 tax roll was \$14,087,665. The City is within the statutory limitation of \$4,930,682. The 1981 Debt Service fund has \$44,372 available to service the bonded debt in the Governmental fund-type funds.

The annual requirements to amortize all outstanding debt at June 30, 2014 are as follows:

<u>Year</u>	<u>General Long-Term Debt</u>			<u>Water Enterprise Fund</u>		<u>Sewer Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	34,797	11,444	46,241	370,000	429,406	42,320	126,808
2016	36,293	9,947	46,240	380,000	416,306	44,209	124,919
2017	37,855	8,386	46,241	390,000	402,847	46,183	122,945
2018	39,484	6,757	46,241	405,000	388,911	48,244	120,884
2019	41,183	5,057	46,240	425,000	372,959	50,398	118,730
2020-2024	71,545	5,342	76,887	2,370,000	1,584,478	287,811	557,829
2025-2029	-	-	-	2,945,000	989,344	358,044	487,596
2030-2034	-	-	-	2,495,000	227,375	445,416	400,224
2035-2039	-	-	-	-	-	554,109	291,531
2040-2044	-	-	-	-	-	689,324	156,316
2040-2047	-	-	-	-	-	351,648	17,710
Total	<u>\$ 261,157</u>	<u>\$ 46,933</u>	<u>\$ 308,090</u>	<u>\$ 9,780,000</u>	<u>\$ 4,811,626</u>	<u>\$ 2,917,706</u>	<u>\$ 2,525,492</u>

USDA Loan and Certificate of Indebtness Letter of Conditions:

As stated in the USDA's Letter of Conditions for each of the USDA Loans Payables, the City will be required to establish and maintain reserves sufficient to assure loan installments will be paid on time, for emergency maintenance, for extensions to facilities and replacement for short-lived assets which have a useful life significantly less than the repayment period of the loan. Borrowers issuing bonds or other evidences of debt pledging facility revenues as security will plan their reserve to provide for at least an annual reserve payment equal to one tenth of the average annual loan installment, with payments made monthly and evenly divided between a reserve fund and a depreciation and contingency fund, until an amount equal to the highest annual debt service payment in any future year is accumulated in the reserve fund; thereafter, all payments to be made into the depreciation and contingency fund.

The Letter of Conditions for the USDA Certificates of Indebtness are the same as the Letter of Conditions for the Loans Payable except for the Certificate of Indebtness – Fire Protection in which the City is only required to reserve up to an amount equal to the highest annual debt service payable in any future year.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)

Water Improvement Bonds, Refunding Series 2007 and 2012 Bond Covenants:

The material provisions of the bond covenants for the Water Improvement Bonds, Refunding Bonds are as follows:

- The issuer will always provide revenues in each fiscal year sufficient to pay the reasonable and necessary expenses of operating and maintaining the System in each fiscal year and will provide net revenues at least equal to 125% of the principal and interest falling due in such year on all Bonds or other obligations payable from the net revenues and will provide revenues at least sufficient to pay all reserve or sinking funds or other payments required for such Fiscal Year.
- The maintenance of a separately identifiable fund or account designated as the "Water System Revenue Bond Debt Service Fund" sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds, the Outstanding Parity Bonds and any Parity Obligations, as they become due and payable, by transferring from the Revenue Fund to the Debt Service Fund, monthly in advance on or before the 25th day of each month of each year, a sum equal to 1/6th of the interest falling due on the next interest payment date and 1/12 of the principal falling due on the next principal payment date.
- The establishment and maintenance of a separately identifiable fund or account designated as the "2007 Water System Refunding Revenue Bond Debt Service Reserve Fund" with a deposit from the bond proceeds equal to the required debt service reserve requirement. The 2007 Reserve Fund requirement is as of any date of calculation, a sum equal to 50% of the highest combined principal and interest requirements for any succeeding fiscal year.

In addition to the covenants listed above, the Water Improvements Bonds, Refunding Series 2007 requires that the City establish a project fund and deposit \$245,000 from the Bond proceeds and shall be used to pay capital costs related to the System. The City may withdraw monies upon presentation of a requisition and proper invoices detailing each expenditure.

For the fiscal year ended June 30, 2014, the Water Fund's net revenues were not at least equal to 125% of the principal and interest falling due on all Bonds or other obligations payable, as well as the City's required monthly payments to the debt service fund reserves were not made nor does the City have the required balance in reserves at June 30, 2014; however, the City did meet all debt obligations.

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)

Required Debt Reserves:

The required debt reserves and amounts reserved as of June 30, 2014 for the City are as follows:

	<u>Debt Issued</u>	<u>Required Reserve</u>	<u>Amount Reserved</u>
Governmental Activities:			
Certificate of Indebtness - Series 2009			
Fire Truck	\$ 250,000	\$ 10,218	\$ 3,879
Total Governmental Activities	<u>250,000</u>	<u>10,218</u>	<u>3,879</u>
Business Activities:			
Water Fund:			
Water Improvement Bonds, Refunding Series 2007	5,630,000	651,084	-
Water Improvement Bonds, Refunding Series 2012	<u>5,275,000</u>	<u>400,746</u>	<u>699,525</u>
Total Water Fund	<u>10,905,000</u>	<u>1,051,830</u>	<u>699,525</u>
Sewer Fund:			
Sewer Rehab Phase I	2,600,000	96,147	-
Sewer Rehab Phase II	<u>500,000</u>	<u>18,063</u>	<u>46,377</u>
Total Sewer Fund	<u>3,100,000</u>	<u>114,210</u>	<u>46,377</u>
Total Business Activities	<u>14,005,000</u>	<u>1,166,040</u>	<u>745,902</u>
Grand Total	<u>\$ 14,255,000</u>	<u>\$ 1,176,258</u>	<u>\$ 749,781</u>

NOTE 12 - CAPITAL LEASES

The City entered into a lease agreement for financing the acquisition of a tiger boom mower and a durapatcher with blower. The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Original Cost</u>	<u>Current Year Depreciation</u>	<u>Accumulated Depreciation</u>
Street Department Equipment:			
Tiger Boom Mower	49,961	4,996	16,446
Durapatcher with Blower	22,400	2,240	7,373

The City completed the lease agreement during 2014 and no future payments are required.

NOTE 13 - OPERATING LEASES

The City leased a 2012 Case 580SN 4WD Backhoe on March 4, 2013 under a non-cancelable operating lease for a sixty-one month period for a value of \$73,665. However, the City had traded in a 2005

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 13 - OPERATING LEASES (CONTINUED)

backhoe to reduce the cost of the lease by \$20,000. The City is to pay monthly lease expense of \$999.04. Total cost for the operating lease was \$11,998 for the year ended June 30, 2014. The minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2015	\$ 11,988
2016	11,988
2017	11,988
2018	7,992
Total	<u>\$ 43,956</u>

NOTE 14 - PLEDGED REVENUES

The City has pledged future water and sewer customer revenues, net of specified operating expenses to repay \$9,780,000 in water revenue bonds payable and \$2,917,706 in sewer loans payable. Proceeds from revenue bonds/loans payable provided financing for the purpose of constructing and acquiring extensions, improvements to the waterworks and sewer systems of the City of Tallulah. The revenue bonds/loans payable are payable solely from water and sewer customer net revenues and are payable through fiscal year ended 2033 for the Water Fund and fiscal year ended 2047 for the Sewer Fund. Total principal and interest remaining to be paid on the water and sewer revenue bonds/loans payable is \$14,591,626 and \$5,443,198, respectively. Water principal and interest paid for the current year was \$797,031 and total net revenue (loss) per Statement H was \$(162,868). Sewer principal and interest paid for the current year was \$(156,024) and total net revenue (loss) per Statement B was \$(156,041). See Note 11 for additional information on the Water and Sewer revenue bonds/loans payable.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Contingencies:

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any will be immaterial.

Litigation:

At June 30, 2014, the City is involved in several lawsuits. In the opinion of the City's legal counsel, the outcome of these lawsuits is not presently determinable.

A judgment was rendered in the amount of \$1,150,699 which the City appealed. Although the City recently lost its appeal, they are exploring other options relative to this case. Since it is reasonably

CITY OF TALLULAH
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

possible and probable that these options will produce a more favorable result and that financial implications to the City cannot be determined at this time, the City has not recorded a liability.

Construction Projects:

The City is involved in several projects at fiscal year ended June 30, 2014 which include the Harlem Street Drainage, LCDBG generator project, LCDBG sewer project and lighting project. However, the City did not have any signed construction commitments at June 30, 2014.

NOTE 16 - FUND BALANCE CLASSIFICATION DETAILS

The following are details of the Restricted fund balance classification:

	<u>General Fund</u>	<u>Section 8</u>	<u>LCDBG Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Restricted for:	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	3,879	-	-	64,033	67,912
Section 8 program	-	90,263	-	-	90,263
Street maintenance	-	-	-	75,919	75,919
Construction projects	-	-	39	74	113
Total	<u>\$ 3.879</u>	<u>\$ 90.263</u>	<u>\$ 39</u>	<u>\$ 140.026</u>	<u>\$ 234.207</u>

NOTE 17 - SUBSEQUENT EVENT

On October 27, 2014, the City requested a twenty-four month extension on Contract Number 708708 FY 2011 LCDBG PF - Sewer Treatment Project. The State of Louisiana, Division of Administration, Office of Community Development granted a continuation of the of program activities of the original contract number 708708 by extending the ending date to September 29, 2017. The amount of the contract is \$1,000,000 to be utilities to improve the City's sewer system.

REQUIRED SUPPLEMENTARY INFORMATION

City of Tallulah

Budgetary Comparison Schedules

Funds with Legally Adopted Annual Budget

General Fund - is the general operating fund of the City. It accounts for all financial resources, except those required to be accounted for in other funds.

Section 8 Fund - accounts for the operations of the lower income housing assistance program which provides aid to very low-income families in obtaining decent, safe, and sanitary rental housing. Financing is provided by a federal grant.

CITY OF TALLULAH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 1-1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
BUDGETARY FUND BALANCES, Beginning	\$ -	\$ 214,160	\$ 214,160	\$ -
Resources (inflows)				
Local sources:				
Taxes				
Ad valorem	355,000	355,000	359,070	4,070
Sales and use	1,195,990	1,240,990	1,320,758	79,768
Other taxes, penalties and interest	278,600	278,600	342,105	63,505
Licenses and permits	130,850	130,850	109,556	(21,294)
Intergovernmental revenues	254,220	254,220	206,727	(47,493)
Rental income	8,990	8,990	8,890	(100)
Use of money and property	-	-	257	257
Fines and forfeitures	83,575	83,575	47,914	(35,661)
Miscellaneous revenues	15,500	15,500	116,570	101,070
Transfers from other funds	115,000	115,000	80,442	(34,558)
Amounts available for appropriations	<u>2,437,725</u>	<u>2,696,885</u>	<u>2,806,449</u>	<u>109,564</u>
Charges to appropriations (outflows)				
Current:				
General and administrative	725,160	725,160	744,550	(19,390)
Police Department	576,375	576,375	572,314	4,061
Fire Department	320,405	320,405	309,693	10,712
Street Department	480,705	525,705	541,904	(16,199)
Culture and recreation	152,535	152,535	165,639	(13,104)
Legislative	66,000	66,000	62,840	3,160
Transportation	48,000	48,000	48,704	(704)
Capital outlay	12,000	12,000	35,976	(23,976)
Debt service:				
Principal retirement	55,345	55,345	34,092	21,253
Interest expense	-	-	7,395	(7,395)
Transfers to other funds	1,200	1,200	100	1,100
Total charges to appropriations	<u>2,437,725</u>	<u>2,482,725</u>	<u>2,523,207</u>	<u>(40,482)</u>
BUDGETARY FUND BALANCES, ENDING	<u>-</u>	<u>214,160</u>	<u>283,242</u>	<u>69,082</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**SECTION 8
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit 1-2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
BUDGETARY FUND BALANCES, Beginning	\$ -	\$ 90,757	\$ 90,757	\$ -
Resources (inflows)				
Local sources:				
Intergovernmental revenues	220,000	220,000	185,954	(34,046)
Use of money and property	-	-	87	87
Miscellaneous revenue	-	-	2,270	2,270
	<u>220,000</u>	<u>310,757</u>	<u>279,068</u>	<u>(31,689)</u>
Amounts available for appropriations	<u>220,000</u>	<u>310,757</u>	<u>279,068</u>	<u>(31,689)</u>
Charges to appropriations (outflows)				
Current:				
Health and welfare	<u>220,000</u>	<u>220,000</u>	<u>188,805</u>	<u>31,195</u>
Total charges to appropriations	<u>220,000</u>	<u>220,000</u>	<u>188,805</u>	<u>31,195</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 90,757</u>	<u>\$ 90,263</u>	<u>\$ (494)</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE A. BUDGET PRACTICES

A preliminary budget for the ensuing year is prepared by the clerk in May. The proposed budget is reviewed by the mayor and the City Council and made available to the public. During the June meeting of the City Council, the City holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the City Council as a whole. The budget is then adopted during the June meeting, and notice is published in the official journal.

During the year, the City Council receives monthly budget comparison statements which are used as a tool to control the operations of the City. The City Clerk presents necessary budget amendments to the Council when he determines that actual operations are differing materially from those anticipated in the original budget. The Council, in regular session, reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The adoption of amendments is included in the City's minutes published in the official journal.

The budget is established and controlled by the mayor and Council members at the functional level of expenditure. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the mayor and the Council members. The City does not use encumbrance accounting in its accounting system.

NOTE B. EXCESS OF ACTUAL EXPENDITURES OVER BUDGETED APPROPRIATIONS

For the fund which a budget to actual comparison was made, 2014 actual appropriations exceeded budgeted appropriations at the level of budgetary control as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 2,482,725	\$ 2,523,207	\$ (40,482)
Section 8	220,000	188,805	31,195

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

NOTES TO THE BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2014

NOTE C - BUDGET TO GAAP RECONCILIATION

An explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures follows:

	<u>General Fund</u>	<u>Section 8</u>
<u>Sources / inflows or resources:</u>		
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 2,806,449	\$ 279,068
The fund balance at the beginning of the year is a budgetary resource, but is not a current year revenue for financial reporting purposes	(214,160)	(90,757)
Transfers in are shown as resources (inflows) for budgetary purposes, but as other financing sources for the Statement of Revenues and Expenditures and Changes in Fund Balances	<u>(80,442)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 2,511,847</u>	<u>\$ 188,311</u>
<u>Uses / outflows of resources:</u>		
Actual amounts (budgetary basis) "Total charges to appropriation" from the Budgetary Comparison Schedule	\$ 2,523,207	\$ 188,805
Transfers to other funds classified as expenditures for budgetary purposes and as an operating transfer for financial reporting	<u>(100)</u>	<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 2,523,107</u>	<u>\$ 188,805</u>

See independent auditor's report and notes to the basic financial statements.

SUPPLEMENTARY INFORMATION

CITY OF TALLULAH
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

The nonmajor governmental funds consist of the **SPECIAL REVENUE STREET FUND**, the **DEBT SERVICE FUND**, and the **CAPITAL PROJECTS HARLEM STREET DRAINAGE FUND** and **ETHEL STREET DRAINAGE FUND**. The following Combining Balance Sheet by Fund Type, and Combining Statement of Revenues, Expenditures and Changes in Fund Balance by Fund Type provide the details of these nonmajor funds.

CITY OF TALLULAH
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - BY FUND TYPE
JUNE 30, 2014

Exhibit 2

	<u>Special Revenue Street</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 66,596	\$ 65,469	\$ 74	\$ 132,139
Interfund receivables	<u>14,722</u>	<u>-</u>	<u>-</u>	<u>14,722</u>
Total assets	<u><u>\$ 81,318</u></u>	<u><u>\$ 65,469</u></u>	<u><u>\$ 74</u></u>	<u><u>\$ 146,861</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Interfund payables	\$ 5,399	\$ 1,436	\$ -	\$ 6,835
FUND BALANCES				
Restricted	<u>75,919</u>	<u>64,033</u>	<u>74</u>	<u>140,026</u>
Total Liabilities and Fund Balances	<u><u>\$ 81,318</u></u>	<u><u>\$ 65,469</u></u>	<u><u>\$ 74</u></u>	<u><u>\$ 146,861</u></u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 3

	<u>Special Revenue Street</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES				
Local sources:				
Taxes:				
Ad valorem	\$ 122,335	\$ 14,080	\$ -	\$ 136,415
Intergovernmental revenues	12,579	-	10,916	23,495
Use of money and property	<u>55</u>	<u>53</u>	<u>-</u>	<u>108</u>
Total revenues	<u>134,969</u>	<u>14,133</u>	<u>10,916</u>	<u>160,018</u>
EXPENDITURES				
Current:				
General and administrative	-	-	60	60
Street Department	99,266	-	-	99,266
Capital Outlay	-	-	10,916	10,916
Debt service:				
Principal retirement	21,636	9,933	-	31,569
Interest and bank charges	<u>358</u>	<u>5,504</u>	<u>-</u>	<u>5,862</u>
Total expenditures	<u>121,260</u>	<u>15,437</u>	<u>10,976</u>	<u>147,673</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>13,709</u>	<u>(1,304)</u>	<u>(60)</u>	<u>12,345</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
NET CHANGE IN FUND BALANCES	13,709	(1,304)	40	12,445
FUND BALANCES - BEGINNING	<u>62,210</u>	<u>65,337</u>	<u>34</u>	<u>127,581</u>
FUND BALANCES - ENDING	<u>\$ 75,919</u>	<u>\$ 64,033</u>	<u>\$ 74</u>	<u>\$ 140,026</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

1981 GENERAL OBLIGATION BOND FUND - accumulates monies for payment of \$260,000 General Obligation Bonds dated October 8, 1981, issued for the purpose of constructing improvements and extensions to the sewer system of the City. Funding is provided by an ad valorem tax.

1998 GENERAL OBLIGATION BOND FUND - accumulates resources for, and the payment of long-term debt principal, interest, and related costs guarding the 1998 General Obligation Bond.

CITY OF TALLULAH
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

Exhibit 4

	<u>1981 General Obligation Bonds</u>	<u>1998 General Obligation Bonds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 45,808	\$ 19,661	\$ 65,469
TOTAL ASSETS	<u>\$ 45,808</u>	<u>\$ 19,661</u>	<u>\$ 65,469</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Interfund payables	\$ 1,436	\$ -	\$ 1,436
FUND BALANCES			
Restricted	<u>44,372</u>	<u>19,661</u>	<u>64,033</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 45,808</u>	<u>\$ 19,661</u>	<u>\$ 65,469</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit 5

	<u>1981 General Obligation Bonds</u>	<u>1998 General Obligation Bonds</u>	<u>Total</u>
REVENUES			
Local sources:			
Taxes			
Ad valorem	\$ 14,080	\$ -	\$ 14,080
Use of money and property	<u>36</u>	<u>17</u>	<u>53</u>
Total revenues	<u>14,116</u>	<u>17</u>	<u>14,133</u>
EXPENDITURES			
Current:			
Debt service:			
Principal retirement	9,933	-	9,933
Interest and bank charges	<u>5,491</u>	<u>13</u>	<u>5,504</u>
Total expenditures	<u>15,424</u>	<u>13</u>	<u>15,437</u>
NET CHANGE IN FUND BALANCES	(1,308)	4	(1,304)
FUND BALANCES - BEGINNING	<u>45,680</u>	<u>19,657</u>	<u>65,337</u>
FUND BALANCES - ENDING	<u><u>\$ 44.372</u></u>	<u><u>\$ 19.661</u></u>	<u><u>\$ 64.033</u></u>

See independent auditor's report and notes to the basic financial statements.

**COMPARATIVE INFORMATION
REQUIRED BY
BOND COVENANT
WITH THE
U.S. DEPARTMENT OF AGRICULTURE**

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2014 AND 2013

Exhibit 6

	2014 <u>Water Fund</u>	2013 <u>Water Fund</u>	2014 <u>Sewer Fund</u>	2013 <u>Sewer Fund</u>
ASSETS				
Current Assets				
Cash and cash equivalents	3,847	505	16,684	-
Receivables, net	238,198	256,179	155,300	124,846
Interfund receivables	-	-	-	1,813
Prepaid expenses	-	5,919	-	-
Restricted Assets:				
Cash and cash equivalents	<u>886,910</u>	<u>1,007,848</u>	<u>46,377</u>	<u>15,600</u>
Total Current Assets	<u>1,128,955</u>	<u>1,270,451</u>	<u>218,361</u>	<u>142,259</u>
Noncurrent Assets				
Land and construction in progress	65,451	65,451	612,879	612,879
Depreciable assets	<u>5,511,663</u>	<u>5,905,644</u>	<u>11,087,381</u>	<u>11,083,266</u>
Total Noncurrent Assets	<u>5,577,114</u>	<u>5,971,095</u>	<u>11,700,260</u>	<u>11,696,145</u>
TOTAL ASSETS	<u>6,706,069</u>	<u>7,241,546</u>	<u>11,918,621</u>	<u>11,838,404</u>
LIABILITIES				
Current Liabilities				
Accounts, salaries and other payable	64,848	38,157	102,622	75,891
Bank overdraft	-	124,969	-	31,896
Interfund payables	-	1,813	-	-
Interest payable	145,289	149,399	-	-
Payable from restricted assets - customer deposits	187,383	186,632	-	-
Compensated absences	5,399	6,399	4,042	4,481
Revenue bonds payable - current	370,000	355,000	-	-
Loans payable - current	<u>-</u>	<u>-</u>	<u>42,320</u>	<u>40,512</u>
Total Current Liabilities	<u>\$ 772,919</u>	<u>\$ 862,369</u>	<u>\$ 148,984</u>	<u>\$ 152,780</u>

(Continued)

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
COMPARATIVE STATEMENT OF NET POSITION
JUNE 30, 2014 AND 2013

Exhibit 6

	2014 <u>Water Fund</u>	2013 <u>Water Fund</u>	2014 <u>Sewer Fund</u>	2013 <u>Sewer Fund</u>
Noncurrent Liabilities				
Revenue bonds payable	\$ 9,410,000	\$ 9,780,000	\$ -	\$ -
Loans payable	<u>-</u>	<u>-</u>	<u>2,875,386</u>	<u>2,917,700</u>
Total Noncurrent Liabilities	<u>9,410,000</u>	<u>9,780,000</u>	<u>2,875,386</u>	<u>2,917,700</u>
TOTAL LIABILITIES	<u>10,182,919</u>	<u>10,642,369</u>	<u>3,024,370</u>	<u>3,070,480</u>
NET POSITION				
Net investment in capital assets	(4,202,886)	(4,163,905)	8,782,554	8,737,933
Restricted	699,527	821,216	46,377	15,600
Unrestricted	<u>26,509</u>	<u>(58,134)</u>	<u>65,320</u>	<u>14,391</u>
TOTAL NET POSITION	<u>\$ (3,476,850)</u>	<u>\$ (3,400,823)</u>	<u>\$ 8,894,251</u>	<u>\$ 8,767,924</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
SCHEDULE OF COMPENSATION PAID TO COUNCIL MEMBERS
FOR THE YEAR ENDED JUNE 30, 2014

The schedule of per diem paid Council members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of Council members is included in legislative expenditures of the General Fund. In accordance with Louisiana Revised Statute 33:405, Council members receive \$1,000 per month.

Tommy Watson, Mayor Pro-Tem	\$ 12,000
Marjorie Day	12,000
Charles Finlayson	12,000
Gloria Hayden	12,000
Lisa Houston	<u>12,000</u>
Total	<u>\$ 60,000</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Submission Type: Audited / Non-A-133

FYE 06/30/2014

		14.871 Housing Choice Vouchers	<u>Total</u>
111	Cash - Unrestricted	\$ 90,466	\$ 90,466
124	Accounts Receivable - Other Gov't	\$ -	\$ -
190	Total Assets	<u>90,466</u>	<u>90,466</u>
312	Accounts Payable <= 90 Days	<u>203</u>	<u>203</u>
300	Total Liabilities	<u>203</u>	<u>203</u>
508.1	Invested in Capital Assets, Net of Related Debt	-	-
511.1	Restricted Net Assets	-	-
512.1	Unrestricted Net Assets	<u>90,263</u>	<u>90,263</u>
513	Total Equity / Net Assets	<u>90,263</u>	<u>90,263</u>
600	Total Liabilities and Equity / Net Assets	<u>\$ 90,466</u>	<u>\$ 90,466</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH
FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Submission Type: Audited / Non-A-133

FYE 06/30/2014

	14.871 Housing Choice Vouchers	<u>Total</u>
70800 HUD PHA Operating Grants	185,954	185,954
71100 Investment Income - Unrestricted	87	87
71500 Other Revenue	2,270	2,270
70000 Total Revenue	<u>188,311</u>	<u>188,311</u>
91600 Office Expenses	28,088	28,088
91800 Travel	398	398
91900 Other	(22,800)	(22,800)
96900 Total Operating Expenses	<u>5,686</u>	<u>5,686</u>
97000 Excess of Operating Revenue over Operating Expenses	182,625	182,625
97300 Housing Assistance Payments	155,822	155,822
97350 HAP Portability - In	27,297	27,297
90000 Total Expenses	<u>188,805</u>	<u>188,805</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	<u>(494)</u>	<u>(494)</u>
11030 Beginning Equity	90,757	90,757
11170 Administrative Fee Equity	90,263	90,263
11180 Housing Assistance Payments Equity	<u>-</u>	<u>-</u>
11190 Unit Months Available	660	660
11210 Number of Unit Months Leased	<u>552</u>	<u>552</u>

See independent auditor's report and notes to the basic financial statements.

**OTHER REPORTS REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Paxton J. Branch
and Members of the City Council
City of Tallulah
Tallulah, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Tallulah's basic financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Tallulah's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tallulah's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tallulah's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal

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control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [Finding 2014-001.]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tallulah's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as Findings 2014-002.

City of Tallulah's Response to Findings

City of Tallulah's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Tallulah's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the City Council, Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Paillet, Mennier and LeBlanc, LLP

Metairie, Louisiana
January 14, 2015

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

To the Honorable Paxton J. Branch
and Members of the City Council
City of Tallulah
Tallulah, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the City of Tallulah's (City) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the City of Tallulah is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Paillet, Mennier and LeBlanc, LLP

Metairie, Louisiana
January 14, 2015

CITY OF TALLULAH
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor Program Title	CFDA #	Pass Through Grant Number	Expenditures
United States Department of Housing and Urban Development			
Direct Program			
Section 8 Housing Choice Vouchers	14.871		\$ 185,954
Passed through Louisiana Department of Administration:			
Community Development Block Grant - States Program	14.228	33MIPL2301	540,681
United States Department of Homeland Security			
Passed Through Madison Parish Police Emergency Preparedness: Hazard Mitigation Grant	97.039	1603n-065-0001	10,916
Passed Through Louisiana Department of Homeland Security & Emergency Preparedness:			
Disaster Grants-Public Assistance	97.036	PA-06-LA-4102-PW-00043	29,876
		PA-06-LA-4102-PW-00027	1,966
		PA-06-LA-4102-PW-00013	12,580
		PA-06-LA-4102-PW-00006	15,096
			<u>59,518</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 797,069</u></u>

See next page for Notes to Schedule of Expenditures of Federal Awards.

CITY OF TALLULAH
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Notes to the Schedule of Expenditures of Federal Awards:

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Tallulah under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available

Note C - Federal award expenditures included in the City's funds:

Federal award expenditures are reported in the City's financial statements as follows:

General Fund - Intergovernmental revenues	17,062
LCDBG Capital Project - Intergovernmental revenues	540,681
Section 8 - Intergovernmental revenues	185,954
Nonmajor Governmental - Intergovernmental revenues	23,496
Sewer Fund - Intergovernmental revenues	<u>29,876</u>
Total Federal Expenditures	<u>\$ 797,069</u>

**CITY OF TALLULAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Part I - Summary of Auditor's Results:

Financial Statement Audit

- i. The type of audit report issued was unmodified for the governmental activities, the business type activities and the individual funds of the primary government, and adverse for the aggregate discretely presented component units.
- ii. There was one (1) significant deficiencies required to be disclosed by *Government Auditing Standards*, issued by the Comptroller General of the United States of America.
- iii. There was one (1) instances of noncompliance considered material, as defined by the *Government Auditing Standards*, to the financial statements.

Federal Awards

- iv. Internal controls over major federal awards programs:
 - a. Material weaknesses identified None
 - b. significant deficiencies identified considered to be material weaknesses None
- v. Type of auditor's report issued on compliance for major programs Unmodified
- vi. Audit findings disclosed that are required in accordance with OMB A-133, Section 510 (a) None
- vii. A management letter has been issued.
- viii. Identification of major programs:
 - Number: 14.228 - Urban Development Community Block Grant, Passed through the Louisiana Department of Administration (Pass Through Grant No: 33MIPL2301)
- ix. Dollar threshold to distinguish between Type A and Type B programs \$300,000
- x. Auditee qualified as a low-risk auditee under OMB A-133, Section 530 No

**CITY OF TALLULAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Part II - Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards* generally accepted in the United States of America.

FINDING 2014-001: CASH MANAGEMENT

Cash Disbursements

Entity-wide or program/department specific: This relates to the general fund.

Criteria or specific requirement: Policies implemented by City should be followed to ensure management carries out day-to-day operations of the entity within the guidelines set forth by the governing officials.

Condition found: The City has not paid vendors timely, resulting in instances where payments for charges included late fees.

Our sample test was comprised of seventy-eight disbursements, which totaled \$ 134,326. Our findings are as follows:

1. Eight exceptions noted where the invoice was not paid within thirty days.
2. Two exceptions were noted (which totaled \$2,864.74, 2.1% of total disbursements tested) where the charge did not appear to be necessary and reasonable due to the City paying either finance or late fees amounting to \$52.68 on the transactions.

Effect: Unnecessary costs are incurred.

Cause: Monitoring

Recommendations: We recommend that the administration continues to monitor its disbursements, and adhere to its accounting policies and procedures.

Views of responsible officials and planned corrective action: We will strive to pay all invoices within thirty days.

Cash Deposits

Entity-wide or program/department specific: This finding relates to the General Fund

Criteria or specific requirement: Effective controls over cash management ensure deposits can be traced from the point of the receipt to the posting in the general ledger. Monies received should be deposited in a timely manner. For testing purposes, timeliness is considered three business days from the receipt of funds.

Condition found: In a test of forty deposits totaling \$240,004, it was noted that three of the deposits which totaled \$5,619 were deposited more than three business days after being received. One deposit for \$1,149 was deposited thirty days after it was received. The second deposit in the amount of \$3,893 was deposited twenty days after it was received. The third deposit in the amount of \$577 was deposited fifty-two days after it was received.

**CITY OF TALLULAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Effect: When funds are not deposited timely, the City is not in compliance with Louisiana Revised Statute (LA. R.S.) 39:1212. In addition, there is a risk of loss from burglary, misplacement, or misappropriation, and cash is not immediately available for expenditures.

Cause: Monitoring

Recommendations: We recommend that the City strongly emphasize to the individuals responsible that there is a high priority, an urgency, to deposit funds immediately and that deposits be reviewed monthly when the banks are reconciled for compliance with this policy.

Views of responsible officials and planned corrective action: Special efforts will be instituted to ensure that all deposits are made no later than three business days from receipt.

Person responsible for the above corrective actions:

Gerald Odom, City Clerk Phone: (318) 574-0964
City of Tallulah Fax: (318) 574-2773
204 North Cedar
Tallulah, LA 71282

Anticipated completion date: Ongoing throughout the fiscal year ended June 30, 2015.

FINDING 2014-002 DEBT COVERAGE AGREEMENT

Entity-wide or program/department specific: This finding relates to the Water and Sewer Funds.

Criteria or specific requirement: To obtain financing for the water and sewer departments, the City agreed to adhere to certain conditions and requirements as set forth in the debt agreements. In reviewing the debt agreements, it was noted that the City should have funds reserved for a sinking fund, a debt service reserve fund, and contingency/project reserve fund for each of the debt agreements. Furthermore, the City's annual financial information should be provided to the Municipal Securities Rulemaking Board by December 31 of each year while the Water Revenue Bonds Refunding Series 2007 and Series 2011 are outstanding. Also, the City must set fees such that net revenues are more than 120% for revenue loans payable and 125% for the revenue bonds of the next year's debt service payment.

Condition found: The City did not have the appropriate funds reserved as required by the debt agreements before the City transferred funds from the Water and Sewer Funds to the General Fund. Water and Sewer fees are not established such that operating income is more than the required minimum of 120% to 125% of next year's debt service requirement. The City did not provide information verifying the City complied with continuing disclosures to the Municipal Securities Rulemaking Board as required.

Effect: The City does not adhere to the stipulations as set forth in the debt covenants agreements. Such a violation may trigger additional costs and/or the loan(s) being called.

Cause: The reserves were only funded periodically due to available cash flow.

**CITY OF TALLULAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Recommendations: A plan should be adopted to ensure that the City is complying with the debt covenants as required by the debt agreements. This plan may include amending the debt agreements and/or obtaining written waivers from the lender, such that the City would be in compliance with the debt covenants.

Views of responsible officials and planned corrective action: The City has enacted measures in both the current and previous fiscal years such as a recent rate increase in water, and reduction of expenses, that has enabled the city to pay all of its note obligations timely and to increase the reserves from \$375,174 in fiscal year ending June 30, 2012 to \$749,781 in the current fiscal year.

Person responsible for the above corrective actions:

Gerald Odom, City Clerk Phone: (318)574-0964
City of Tallulah Fax: (318)574-2773
204 North Cedar
Tallulah, LA 71282

Anticipated completion date: Ongoing throughout the fiscal year ended June 30, 2015.

Gerald Odom, City Clerk Phone: (318)574-0964
City of Tallulah Fax: (318)574-2773
204 North Cedar
Tallulah, LA 71282

Anticipated completion date: Ongoing throughout the fiscal year ended June 30, 2014.

**CITY OF TALLULAH
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

FINDING 2013-001: CASH MANAGEMENT

Cash Disbursements

Entity-wide or program/department specific: This relates to the general fund.

Criteria or specific requirement: Policies implemented by City should be followed to ensure management carries out day-to-day operations of the entity within the guidelines set forth by the governing officials.

Condition found: Due to cash flow, the City has not been paying vendors timely, resulting in instances where payments for charges included late fees. Checks are held and paid as funds are available.

Our sample test was comprised of eighty-four disbursements, which totaled \$160,425. Our findings are as follows:

1. Eighteen exceptions noted where the invoice was not paid within thirty days.
2. One exception was noted where a check in the amount of \$600 did not have the appropriate number of signatures.
3. Three exceptions were noted (which totaled \$459, 0.029% of total disbursements tested) where the charge did not appear to be necessary and reasonable due to the City paying either finance or late fees on the transactions.

Current year status:

1. Not resolved - refer to 2014-001
2. Resolved
3. Not resolved - refer to 2014-001

Cash Deposits

Entity-wide or program/department specific: This finding relates to the General Fund

Criteria or specific requirement: Effective controls over cash management ensure deposits can be traced from the point of the receipt to the posting in the general ledger. Monies received should be deposited in a timely manner. For testing purposes, timeliness is considered three business days from the receipt of funds.

Current year status: Not resolved - refer to current year finding 2014-001

Payroll or Personnel Policy

Entity-wide or program/department specific: This finding relates to the General Fund

Criteria or specific requirement: Salaries are paid in accordance with the city ordinance.

Condition found: There are three positions (two elected and one appointed) whose salaries are fixed by City Ordinance. The ordinance does not address whether the individuals in these positions are to earn sick or vacation leave; however, the individuals are paid for unused vacation leave at calendar year end.

CITY OF TALLULAH
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

The payment for the balance of unused vacation leave at calendar year end may be considered to be paid compensation above the amount fixed in the ordinance. Appropriate employee leave slips and/or time sheets were not maintained for these employees.

Current year status: Resolved

FINDING 2013-002: SECTION 8 DISBURSEMENTS

Entity-wide or program/department specific: This finding relates to the Section 8 program.

Criteria or specific requirement: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, paid timely, all supporting documentation for the expenditures is obtained and maintained, and ensure that expenditures are necessary and reasonable.

Condition found:

In a test of five disbursements for the Section 8 program, the following were noted in which the expenditure did not have proper documentation:

1. Two exceptions were noted for the 50058 information, whereby the supporting documentation such as date of birth, social security number and youth status did not agree.
2. Two exceptions were noted in the income calculation.
3. One exception was noted where the HAP payment did not agree to the register.

Current year status

1. Resolved
2. Resolved
3. Resolved

FINDING 2013-003 DEBT COVERAGE AGREEMENT

Entity-wide or program/department specific: This finding relates to the Water and Sewer Funds.

Criteria or specific requirement: To obtain financing for the water and sewer departments, the City agreed to adhere to certain conditions and requirements as set forth in the debt agreements. In reviewing the debt agreements, it was noted that the City should have funds reserved for a sinking fund, a debt service reserve fund, and contingency/project reserve fund for each of the debt agreements. Furthermore, the City's annual financial information should be provided to the Municipal Securities Rulemaking Board by December 31 of each year while the Water Revenue Bonds Refunding Series 2007 and Series 2011 are outstanding. Also, the City must set fees such that net revenues are more than 120% for revenue loans payable and 125% for the revenue bonds of the next year's debt service payment.

Condition found: The City did not have the appropriate funds reserved as required by the debt agreements before the City transferred funds from the Water and Sewer Funds to the General Fund. Water and Sewer fees are not established such that operating income is more than the required minimum of 120% to 125% of next year's debt service requirement. The City did not provide information verifying the City complied with continuing disclosures to the Municipal Securities Rulemaking Board as

**CITY OF TALLULAH
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

required.

Current year status: Refer to current year finding 2014-002

FINDING 2013-004 PUBLIC RECORDS PUBLICATION

Entity-wide or program/department specific: This finding is entity wide.

Criteria or specific requirement: Louisiana Revised Statute 43:144 states in part "...an official of any municipal corporation, police jury, or school board by law responsible for the preparing and recording of the official proceedings, within twenty days from the date of any meeting at which the official proceedings were had, shall furnish the official journal with a copy of the minutes, ordinances, resolutions, budgets, and proceedings for publication for public notice."

Condition found: While reviewing regular board-meeting minutes to determine if the City published the board meeting minutes within twenty days in the official journal, it was noted that seven of the ten board meeting minutes selected were published in the official journal more than twenty days after the regular meeting occurred.

Current year status: Resolved

FINDING 2013-005 POLICE TICKETS – FORMAL TRACKING SYSTEM

Entity-wide or program/department specific: This finding relates to the police department.

Criteria or specific requirement: Proper internal controls over the collection of police tickets to ensure that tickets issued to defendants are maintained, properly recorded and received in a timely manner.

Condition found: The City has adopted various policies and procedures promulgated by the Louisiana Legislative Auditor. These policies include a formal tracking system to account for all traffic citations, including their status. The City is developing, but has not fully implemented, a formal tracking system to account for all traffic citations, including their status (e.g., paid, reduced, or dismissed).

Effect: The City may not be collecting all funds due and/or the date that the receipt of funds that are collected may be enhanced.

Current year status: Resolved

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OTHER INFORMATION

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

January 14, 2015

To the Honorable Paxton J. Branch
and Members of the City Council
City of Tallulah
Tallulah, Louisiana

In planning and performing our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah (City) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the City's internal control in our report dated January 14, 2015. This letter does not affect our report dated January 14, 2015, on the financial statements of the City of Tallulah.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Also included are management's responses to our current-year management letter items. We have performed no audit work to verify the content of the responses. Our audit procedures are designed primarily to enable us to form opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Tallulah, as of and for the year ended June 30, 2014, which collectively comprise the City's financial statements, and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

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Immediately following this Letter is a Status of the Management Letter Items. This information has not been audited by us, and no opinion is expressed. However, we did follow-up on the prior Management Letter item and performed procedures to assess the reasonableness of the Status of the Prior Management Letter Item prepared by management. We would report, as a current-year management item if Paillet, Meunier and LeBlanc, L.L.P. concludes that the Status of the Prior Management Letter Item materially misrepresents the Status of any prior Management Letter item.

This report is intended solely for the information and use of the City Council, Board, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Sincerely,

Paillet, Meunier and LeBlanc, LLP

Metairie, LA
January 14, 2015

CITY OF TALLULAH
MANAGEMENT COMMENTS MEMORANDUM
JUNE 30, 2014

As stated in our accompanying letter, during our audit we became aware of several matters that present opportunities for strengthening internal controls, improving operating efficiency and maximizing income. This memorandum summarizes our comments and suggestions regarding those matters.

2014-001 RECORD RETENTION

1.1 Current Condition

Record retention provisions and regulations are provided in La. R.S. 44:441. Per conversations with City officials and correspondence from the Louisiana Legislative Auditor, it was determined that the City may not be in full compliance with La. R.S. 44:441 relative to record retention.

1.2 Actual and Potential Effect of Current Condition

The City may not be in full compliance with La. R.S. 44:441 relative to record retention.

1.3 Recommendation

Several City officials have attended recent seminars regarding Louisiana's required record retention laws and policies and have scheduled other seminars to attend regarding this matter. We recommend that the City review its record retention policy to determine if the policy is in compliance with Louisiana Statutes, and to revise the policy(ies) if found not to be in full compliance. We also recommend that the City develop a plan to implement any revised policies which would include, but not be limited to, anticipated cost, personnel requirements, training and implementation timeline.

1.4 Views of responsible officials and planned action

We plan to attend additional seminars on this subject, consult with Louisiana officials regarding this matter, review our policies and procedures with the City attorney and develop a plan to implement any revised policies and procedures.

1.5 Person responsible for the above actions:

Gerald Odom, City Clerk Phone: (318)574-0964
City of Tallulah Fax: (318)574-2773
204 North Cedar
Tallulah, LA 71282

Anticipated completion date: June 30, 2015

2014-002 PAPERLESS DOCUMENT MANAGEMENT SYSTEM

2.1 Current Condition

The City currently maintains a number of its files in paper format verses electronic format.

2.2 Actual and Potential Effect of Current Condition

The City incurs costs to maintain its files and files may not be immediately accessible.

2.3 Recommendation

We recommend that the City review the costs of/and consider implementing a plan to bring more of the City's files into the paperless arena. Usually, the benefits of a paperless system are far greater than the costs. These benefits would include, but not be limited to, reduced paper costs, reduced costs of file maintenance, immediate access to files, enhanced file search and related retrieval of documents, and increased work productivity. The system could also allow public access to various files, such as council minutes and future council agendas.

2.4 Views of responsible officials and planned action

We are already paperless with regard to a number of our files, e.g. letters, and certain financial information. We will look into the costs of various document management systems, and, if financially feasible, implement a plan to increase the utilization of electronic records.

2.5 Person responsible for the above actions:

Gerald Odom, City Clerk Phone: (318)574-0964
City of Tallulah Fax: (318)574-2773
204 North Cedar
Tallulah, LA 71282

Anticipated completion date for review and development of plan: June 30, 2015

**CITY OF TALLULAH
STATUS OF PRIOR YEAR MANAGEMENT LETTER ITEMS
JUNE 30, 2014**

The following provides the status of the previous management letter comment.

2013-001 RECORD RETENTION

Comment

Record retention provisions and regulations are provided in La. R.S. 44:441. Per conversations with City officials and correspondence from the Louisiana Legislative Auditor, it was determined that the City may not be in full compliance with La. R.S. 44:441 relative to record retention.

Current year status: Partially resolved: Several City officials have attended recent seminars regarding Louisiana's required record retention laws and policies and have scheduled other seminars to attend regarding this matter. In addition, the City is reviewing its record retention policy to insure that it will be in compliance with LA. R.S. 44:441.

2013-002 PAPERLESS DOCUMENT MANAGEMENT SYSTEM

Comment

The City currently maintains the vast majority of its files in paper format

Current year status: Partially resolved: The City is already paperless with regard to a number of files, e.g. letters, and certain financial information and is planning to research the costs of various document management systems to determine financial feasibility.